



# **OXFORD ANALYTICA**

## **TURKEY**

## **FISCAL TRANSPARENCY**

### **Country Report 2005**

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# TURKEY



## COMPLIANCE RATINGS

<i>Fiscal transparency</i>	2005	2004	2003	2002
Clarity of roles	...	...	...	...
Availability of information	...	...	...	..
Budget preparation	...	...	...	..
Accountability	...	...	...	..
<b>Score</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>2.25</b>

## OUTLOOK & COMMENTARY

Recent years have seen a series of improvements in Turkey's complex system for managing public finance, with positive implications for transparency. The scope of the 2006 budget has increased, and it now uses a medium-term budgeting framework which should improve government accountability and market confidence.

However, within the past year, there have also been signs of a decline in concern for efforts to increase fiscal accountability and transparency. Secondary legislation is needed if the Public Financial Management and Control (PFMC) Law of December 2003 is to be fully implemented. A new Court of Accounts Law and legislation on state enterprises are also pending approval. A new law enacted in 2005 (the "Omnibus Law") allows the government to sidestep budget discipline in various ways under certain circumstances -- for example by writing off debts of some public institutions. Moreover, the government has recently submitted to Parliament a large number of amendments to the PFMC Law.

## EXECUTIVE SUMMARY

### 3.00 Enacted

The Public Financial Management and Control (PFMC) Law of December 2003 provides the basis for harmonising the financial management and control system with international best practice, including numerous innovations such as the introduction of a new budget classification system that is in line with international standards (GFS 2001), a new accrual-based accounting system medium-term budgeting (three year period), and performance-based budgeting. The Law also formalises the reporting process.

There have been a number of improvements associated with the PFMC Law. The scope of the budget has also increased in terms of the number of institutions covered, and annexed budget agencies -- which used to face considerably less rigorous procedures -- are now to be included in the general budget. The Ministry of Finance has also implemented a Medium-Term Budget Framework. This should improve transparency in a number of areas as the government will now be more accountable for its policy choices and it will be harder to diverge from previously set goals. Fiscal risks and sustainability should also be assessed in the process of drawing up the medium-term budget. Line ministries are now called upon to make press statements on their aims and objectives and mid-year reports on their progress.

However, the PFMC law is very broad and is still waiting for the promised secondary legislation to clarify some of the changes so they can be properly implemented. Legislation was due to be approved in June 2005, but it has now been delayed until 2006. A new law approved in 2005 (the "Omnibus Law") allows the government to sidestep budget discipline in various ways, although under certain criteria -- for example by writing off debts of some public institutions. Moreover, the government has submitted to parliament a large number of amendments to the PFMC Law. Thus there are increasing doubts about the resolve of the government to continue to increase fiscal accountability and transparency. However, the PFMC Law was prepared partly as a commitment to the EU, the IMF and the World Bank, and as such a certain degree of compliance will have to be attained in the near term.

A new tax legislation was also approved in May 2005 creating a semi-autonomous revenue administration which will be responsible for tax collection, separating policy from implementation. Local tax offices now fall under the revenue department too. This should improve the efficiency and effectiveness of the tax system.

The proposed Court of Accounts Law will empower the Court of Accounts to become the single, supreme audit body, and its scope and depth of audit will increase. However, it is not clear when this new law will be passed as it has been on the agenda for more than a year now.

Turkey's overall score is unchanged from last year.

## 1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES



### Enacted

**The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.**

#### Structure, functions, and responsibilities of government

The structure and functions of government are specified in a large body of legislation. The responsibilities of different levels of government and of the executive branch, the legislative branch and the judiciary are reasonably well defined.

The duties, authorities and structure of local government organisations and their shares of tax revenues are set out in various laws. Provinces have limited autonomy and report to the Ministry of the Interior. Municipalities have strong elected mayors and weak councils. The new Municipality and Metropolitan Municipality Laws were approved in July 2004 and the Municipal and Special Provincial Administration Law was approved in July 2005. The new laws redefine the duties and responsibilities of the local governments, giving them greater authority to provide public services and renegotiate municipal debts.

#### Coordination and management of budgetary activities

Mechanisms for the management of budgetary and extra-budgetary activities are governed by various laws, including the Public Financial Management and Control (PFMC) Law of 2003, the Court of Accounts Law of 1967, the Public Procurements Law and the annual budgets; by periodic regulations issued by the Ministry of Finance (MoF); and by time-honoured practice.<sup>1</sup>

The Public Administration Framework Law was approved by the parliament in July 2004. However, the president has vetoed certain articles of this law on the grounds that they are in conflict with the constitution. Although further legislative amendments are expected concerning local governments, this area is still widely considered as one that lacks transparency and has hampered the devolution process.

A range of institutions share the setting, implementation and ongoing scrutiny of central government finances while operating according to their own laws and regulations, and typically reporting to a different government minister. The MoF is responsible for budget preparation, budget execution, accounting and reporting, and revenue collection. It has separate departments for budgeting and fiscal control, for public accounting, and for revenues. The State Planning Organisation (SPO) prepares five-year plans, which are intended to give longer-term direction.<sup>2</sup> Based on investment ceilings set by the MoF, it draws up investment spending allocations for each of the government departments, which feed into the budget each year. It also serves as secretariat to the High Planning Council, a statutory sub-committee of the Council of Ministers with an important role in the overall policy-formulation process. This year the MoF and the SPO have also begun a Medium-Term Budget Framework and Fiscal Strategy. The Undersecretariat for the Treasury is responsible for cash management and the public payments system.<sup>3</sup> It manages the public debt and provides loan performance guarantees. It oversees the operations of state-owned enterprises and is responsible for relations with international financial institutions.

Some commentators argued that the MoF, the Treasury and the SPO should be merged, as fragmentation of financial management can create difficulties in coordination and decision-making. Others argued however, that as long as the role of each organisation is clear, there should be no overlaps or gaps in procedures.<sup>4</sup> A more likely solution to the administrative complications is to re-clarify the responsibilities of these institutions, while placing them all under a single Economy Ministry in order to improve coordination. Meanwhile, the formation in November 2002 of the first single-party government in eleven years improved coordination and facilitated the speedier progress of transparency efforts. Mechanisms for coordinating and managing revenues and expenditures that fall outside the scope of the main budget process are varied and often unclear, a situation replicated at the local government level.

### **Relations between government and public sector agencies**

Article 65 of the 1982 Constitution of the Republic of Turkey stipulates the monitoring of state enterprises by parliament under the auspices of the state enterprise committee.<sup>5</sup> Nevertheless, state commercial banks and non-financial public enterprises (NFPEs) have operated under the aegis of various government ministers.

State banks used to provide loans to favoured businesses, in order to create a linkage between state authority and political interests. Loans were also provided at sub-market rates, for which the government rarely reimbursed the banks. As a result of these sectoral inadequacies and a very high interest rate, by 2001 the banks had to be recapitalised by the government at a cost of over 15 billion US dollars. Quasi-fiscal activities have since dramatically reduced, although given that there are still three state banks, commentators have suggested that there is some scope for banks to engage in such activities.<sup>6</sup> Since 2001, two of the remaining three major state banks (Ziraat Bank and Halkbank) have been made more autonomous and have had their operations heavily streamlined. They are no longer obliged to lend at below market interest rates. Precedents have been set since 2002 for the inclusion of a separate appropriation in the budget to cover the cost if and when the banks are asked to perform such tasks. Approximately 25% of the shares in the third major state bank, Vakifbank, were sold in a public offering in November 2005. Preparations to privatise Halkbank are expected to start in 2006. The state also owns a foreign trade bank, T. Eximbank, and the Turkish Development Bank (TKB).

The use of NFPEs for quasi-fiscal or political purposes has been reduced. State enterprises processing tobacco, sugar and grain are no longer obliged to buy up crops at prices set by the government, unless they are reimbursed through the budget. NFPEs are pricing their goods and services increasingly on a commercial basis, and some have cut staff and services, indicating a reduction in hidden social spending by these businesses. In spite of this trend, the extent to which NFPE decision-making is influenced by non-commercial considerations remains difficult to monitor. Commentators have said that state enterprise accounts lack transparency. For example, accounts are only released yearly and many enterprises are subsidised, but the budget only shows a 'transfer sum' to all state enterprises and is not sector specific.<sup>7</sup>

The delayed legislation on the governance of state economic enterprises (SEEs) is expected, inter alia, to clarify goals and financial targets, set new accountability standards and address accounting, reporting, and auditing arrangements. Some government officials feel the legislation to be over-ambitious in its goal to reform the entire SEE system.<sup>8</sup>

Further legislation is being discussed at the Council of Ministers and will be submitted to parliament to unify the three main social security institutions and to separate health from pensions, measures that should improve transparency.

Important amendments made to the Central Bank Law in 2001 have enhanced the independence of the Central Bank of Turkey (CBT) by clarifying its relationship with the government (including distribution of profit). According to the amendments, the central bank is no longer allowed to finance the government. It may support the Savings

Deposit Insurance Fund (responsible for troubled banks) so long as the efficient conduct of monetary policy is not affected.

### **Government involvement in the private sector**

Public equity ownership in the private sector is low. If the state holds a majority of the capital in a company, then the company is subject to the Public Procurement Law. Most privatisations are carried out in line with the Privatisation Act.

The state may participate in the capital of some commercial banks to strengthen the banking system. Rules and criteria for all these banking operations are specified in legislation. The criteria according to which the Banking Regulation and Supervisory Agency (BRSA) decides to re-sell troubled banks or assets thereof to the private sector are less clear.

Rules on state aid are laid down by law and decree. The Treasury has provided guarantees for infrastructure and energy projects under Transfer and Operating Rights (TOR), Build-Operate-Transfer (BOT) and Build-Operate contracts. For example, pledges of the state electricity company to purchase electricity from private power plants have been backed by Treasury guarantees. A figure for net lending as a result of Treasury guarantees is now included in the budget. The Treasury has been working to recoup amounts it is owed by the original debtors. In this context, the Treasury only issues new guarantees to institutions with a favourable financial situation and no outstanding debt.<sup>9</sup>

The Treasury and the Privatisation Administration have some difficulty collecting data for state enterprises. The definition of the fiscal balance for the purposes of the IMF primary fiscal surplus targets includes consolidated data on 27 state enterprises. Their performance figures are now published quarterly, but there are still numerous state enterprises not covered. Improvement will depend on the spread of the new automated accounting system for local government and state enterprises. A new law on state enterprise management has not yet been passed, but will take authority away from the line ministries and hand it to the Treasury.

## **There should be a clear legal and administrative framework for fiscal management**

### **Legal framework for budgetary activities**

The constitution states that the expenditures of the state and of public entities other than state economic enterprises are to be made through the annual budgets.<sup>10</sup> Adherence to this prescription has improved in the last three years. The number of extra-budgetary funds, set up by various laws and decrees, has been reduced from 13 in 1999 to five: the Promotion fund (for financing Turkey's image abroad), the Defence Industry Support Fund, the Social Solidarity Fund, the Privatisation Fund, and the Savings Deposit Insurance Fund. Meanwhile, opportunities for using Treasury guarantees to enable public agencies to raise credit with which to make extra-budgetary expenditures have been curtailed by the Law on Regulating Public Financing and Debt Management Law, passed in 2002. This law centralises all public borrowing and restricts annual borrowing to the amount needed to cover the envisaged budget deficit. Maximum limits must be fixed for Treasury guarantees and borrowing each year in the annual budget, the Treasury is prevented from unilaterally issuing 'non-cash' bonds to pay off the arrears of public entities, or to bail out troubled state and private banks as occurred in 2000-01. The powers of the Treasury to seek redress from public entities that fail to pay their guaranteed debts have also been strengthened.

Law No. 5021 came into force at the end of 2003 establishing the legal framework for payments to depositors covered by the Saving Deposit Insurance Fund (SDIF) and stating that the SDIF would make payments though

issued by the Treasury as a loan to the SDIF. Treasury officials say bonds cannot be issued gratis -- for example to state banks in return for duty losses -- ruling out quasi-fiscal activities.<sup>11</sup>

However, in 2005 a new law was passed containing provisions that will impair the framework of the law mentioned above. The 'Bill Envisaging Amendments to the Civil Servants Law and the Pensions Fund of the Republic of Turkey and some other laws and Decree-Laws' (also known as the "Omnibus" Law) allows 'extra-budgetary loans' to be issued without being linked to the budget. This means the Treasury will be able to issue non-cash bonds outside the budget again. Secondly, debts and claims of public institutions can be offset against each other, meaning that public accounts will lose a degree of transparency. Thirdly, certain projects will be able to make use of credit unrecorded in the budget first, undermining budgetary spending procedures. Among other items, the Bill also writes off 41 billion US dollars of debt owed by the Savings Deposit Insurance Fund (also undermining Law 5021), restructures and reschedules farmers' debts, and allows the Treasury to pay 500 million euros to the TMO (soil products office) and 275 million euros to sugar factories to cover losses. All these amendments are seen as having a negative effect on fiscal discipline and undermine much of the transparency established over the last few years. Indeed, many commentators judge this bill as a step backwards.<sup>12</sup>

Special budget agencies are subject to the same arrangements as mainstream budget agencies under the new budget classification system. Managers of budget agencies will be given greater responsibility (and accountability) for spending decisions. Revolving funds will be eliminated by 2007.

In July 2004, Law No. 5217 eliminated most of the special accounts (which are the revenues of various agencies, not accounted for in the main budget and so placed inside the budget of the relevant institution) and this year these special revenues were written directly into the budget. Those remaining are insignificant amounts.<sup>13</sup>

Supplementary budgets have been common in Turkey. However, owing partly to the improvements mentioned above, the amounts and distribution of budget expenditure have come closer to the original appropriations since 2000. The government used to be able to switch spending between allocations without obtaining permission from parliament, provided there was no increase in the overall total expenditures, but as of 2003 this is not allowed.

Earmarking revenues for specific expenditures currently persists (a legacy of the fund system). Much earmarking has been eliminated over the past couple of years, such as the appropriations of the Special Consumption Tax. The Advance Payments Account used to allow expenditures to be made against the following year's allocation -- for example it used to fund higher-than-envisaged social security institution deficits. However changes in the regulation of the Public Accounting Law in June 2003 removed this practice. Now the work of this account is within the same year's budget allocations.

Procedures for municipal spending are set out in the relevant legislation. However, municipal companies (known as 'municipal economic enterprises' are not covered.<sup>14</sup>

### **Legal framework for taxation**

Taxes are charged in line with detailed laws, and taxpayers' rights are protected. Tax allowances, rebates, exceptions and incentives also have a specific legal basis.

The constitution states that taxes can only be imposed by law, although tax laws may empower governments to alter the amounts or rates within limits.<sup>15</sup> In practice, the government can adjust tax rates, duties, fund levies and other rules pertaining to their implementation within the fairly broad parameters determined in legislation.



Tax legislation is generally clear and the adoption of a direct tax reform in April 2003 made further simplifications. The tax administration and the private sector provide information, interpretations and taxpayer services. However, tax legislation has changed frequently. Moreover, numerous tax amnesty laws have been approved in the past. Expectations of further amnesties may discourage the payment of taxes on time. Arrears have also been blamed on weak enforcement, despite the introduction of tax identification numbers, which have been required for a wide range of transactions since 2001. User charges made by annexed budget agencies (universities and some general directorates providing infrastructure and other services) and special budget agencies are generally set out clearly, although here too frequent changes and government interventions have also occurred.

Clear rules do not exist for setting the fees, commissions, and donations charged by revolving funds and public sector foundations. The PFMC Act bans the foundations from collecting any such revenues, and makes the revolving funds subject to full budget procedures. On the other hand, levels of social security premiums are set clearly on the basis of the relevant legislation. However, non-payment and delayed payment of premiums is a major problem. There have been frequent amnesties for those in arrears.

There have been improvements in tax legislation over the past couple of years. In January 2003, parliament approved legislation designed to reschedule tax claims, pardon tax offences and terminate tax disputes. Tax arrears, including the arrears of state enterprises, were reduced through a partial tax amnesty scheme in 2003, but still require careful monitoring. A Direct Tax Reform was passed in April 2003 that simplified the corporate tax regime and unified the income tax system. Secondly, IMF tutelage, coupled with the continuing need for revenues, has finally led to the passing of new tax legislation on 16 May 2005.<sup>16</sup> Law 5345 for the Organisation and Duties of the Revenue Administration Presidency separates policy from implementation by making the General Directorate of Revenues within the MoF semi-autonomous and responsible only for tax collection. Local tax offices now report direct to this unit rather than via the provincial department as was the case previously. Implementation has been somewhat slow; a separate tax policy unit is still due to be established by the MoF, as well as a large taxpayer department.<sup>17</sup> When completed, it should help debt sustainability and overall macroeconomic stability. Parliament was expected to overhaul the corporate income tax rates in late 2005 and early 2006, in line with a government pledge to the IMF. Reductions in corporate income tax rates will take effect as of 2006 earnings, but as a corollary, the government has promised tough measures against tax evasion.

Under the PFMC Law, tax expenditure has now been introduced into the budget, although there is little detailed costing. Further improvement will require secondary legislation under PFMC.<sup>18</sup> Commentators stated that tax decisions have sometimes been unpredictable. For example, in 2004 there was an unexpected increase in the rate of Special Consumption Tax on cars, cigarettes and alcoholic drinks.<sup>19</sup> In 2005, too, there were sudden changes in the taxation of tobacco and alcoholic drinks.

### **Ethical standards for public servants**

A code of conduct for civil servants has been passed by parliament and a commission has been set up in line with the law, but a proposed law on the public personnel system has not yet been approved.<sup>20</sup> At present, various laws such as the Law on Government Officials and the Tax Procedure Law, as well as laws governing individual government agencies, include stipulations concerning the conduct of public officials. Also, legislation on public administration reform is being prepared by the government to create a more favourable legal and institutional environment for the efficient, transparent, and participatory provision of public services.



## 2. PUBLIC AVAILABILITY OF INFORMATION



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**The public should be provided with full information on the past, current, and projected fiscal activity of government.**

### Central government operations

The annual budget bill submitted to parliament covers tax and other revenues and the expenditures of the various central government agencies, plus transfers for interest payments, social security institutions, local government, extra-budgetary funds and revolving funds. Documentation provided together with the budget includes an annual economic report and budget memorandum, and also (as of 2002) the accounts and outlook for extra-budgetary funds, social-security organisations (including arrears), revolving funds, financial and non-financial state enterprises, local authorities and contingent liabilities of the Treasury.

Currently, the Treasury publishes quarterly information on contingent liabilities and on payments made by the Treasury in its capacity as a guarantor of debt and on the amounts owed to the Treasury by original debtors (municipalities, state enterprises, funds, banks). As of 2003, the net payments of the Treasury arising from loan and performance guarantees have been included in the budget.

There are five existing extra-budgetary funds. Data for those are published every year in the annual programme, but there are no plans to publish the accounts more frequently. The Treasury publishes the monthly consolidated primary balances of three of the extra-budgetary funds (the Defence Industry Support Fund, the Social Solidarity Fund, and the Privatisation Fund).<sup>21</sup> Under the Law on Regulating Public Finance and Debt Management, 2002, funds coming from foreign grants and credits must be included in the budget as revenues.<sup>22</sup> There has hitherto been no attempt to quantify tax expenditures, but this will now become obligatory under the PFMC Law.

The budget documentation includes comparisons with the projection for the preceding year and the outturns for earlier years. Information on budget performance in past years is also available from the MoF's General Directorate of Public Accounts, although the changing scope of the budget makes some comparisons difficult. A rolling three-year budget system similar to that in most OECD countries began this year as specified by the PFMC Law.<sup>23</sup> The presentation of mid-year reports is also mandated in the PFMC Law.<sup>24</sup>

The General Directorate of Public Accounts provides monthly performance data in either a ministerial press conference or a press statement, usually within the first half of the following month. This includes a detailed breakdown of budget revenue and expenditures. The new budget classification system has been developed in accordance with international standards, which includes detailed information concerning the budget revenue and expenditures, previously unavailable.<sup>25</sup>

Performance-based budgeting, which was specified under the PFMC Law, is still very much at the introductory stages. It was piloted in eight government agencies in 2005 with training courses, and will now be introduced to a further 15 institutions next year, but it is unlikely that it will be fully implemented by the end of 2006.<sup>26</sup> It will require government departments and agencies to publish accountability reports every year, which will then be evaluated by the Court of Accounts.<sup>27</sup>

Economic analysts stated that they find it difficult to keep track of the performance of the social security institutions, state enterprises and local government.<sup>28</sup> The IMF standby accords in force since 1999 have in principle established targets for the ‘consolidated government sector’ -- which includes the social security institutions, the larger extra-budgetary funds, and state enterprises as well as the budget. The Treasury publishes the monthly consolidated primary balances of the consolidated budget, State Economic Enterprises (SEEs), three extra-budgetary funds, social security institutions and unemployment insurance fund.<sup>29</sup> The introduction of the new budget classification system and accrual-based accounting system, has partly addressed these problems. Extra-budgetary funds will be subject to the same rules as the rest of the budget, and will be included in the budget put forward by parliament. The new budget classification system -- introduced in 2003 -- created a consolidated, comprehensive budget and clarified its composition.<sup>30</sup> The PFMC Law in general creates a unified concept of central government, bringing together the various floating agencies and institutions.<sup>31</sup>

Commentators feel that fiscal transparency would benefit from systematic written comments -- perhaps monthly reports -- explaining budget data throughout the year similar to those produced by the Central Bank of Turkey (CBT) on inflation prospects.

There is currently a lack of up-to-date data on local government, state economic enterprises, social security institutions and extra-budgetary funds. Commentators noted the need for projections for the social security institutions.<sup>32</sup> According to the PFMC Law, the central government budget realisation figures will be published on a monthly basis.

Turkey has now passed a Freedom of Information Act. This act defines “the rights of citizens to request information and the obligation of public organisations to provide information”.<sup>33</sup> Some officials and commentators have stated that this law is effective, allowing access to previously unavailable government information. For example, public companies now have more information on their websites.<sup>34</sup> However, others say that concepts such as “public secrets” are not precisely defined, thus giving rise to the possibility that government officials may interpret such concepts rather arbitrarily and by doing effective implementation would be limited.<sup>35</sup>

## **A commitment should be made to the timely publication of fiscal information.**

### **Debt reporting**

There is comprehensive and timely publication of debt figures. The Treasury makes available data/information on its borrowing activities and publishes regular monthly data on borrowing and debt servicing, the level and composition of domestic debt, the level of Treasury-guaranteed foreign debts, and central government foreign debt. It also publishes quarterly data on foreign debt of all public and private sector institutions, including breakdowns by maturity, currency composition, type of instrument, lender, and borrower.

The 2002 Public Financing and Debt Management Law increased the transparency of debt-management decisions. The Treasury is now required to submit to parliament a quarterly report on debt management, and this is also published on its website.<sup>36</sup> This report also reviews debt sustainability. Debt management in general is perceived as transparent. As of 2003, the net payments of the Treasury arising from loan guarantees have been included in the budget.

### **Advance release calendars**

Turkey subscribes to the IMF Special Data Dissemination Standard (SDDS) and is therefore committed to releasing data on fiscal performance and public debt in a timely manner and in accordance with advance release calendars.

### 3. OPEN BUDGET PREPARATION, EXECUTION AND REPORTING



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#### Fiscal policy objectives, macroeconomic framework, and risks

##### Fiscal policy objectives

In recent years, a large number of factors have obstructed the use of the annual budget as an instrument to obtain fiscal policy objectives. These include the short horizons from frequent changes of governments and ministers, high inflation and the urgency of the government's debt situation, as well as the limited scope of the budget, its overall lack of credibility and the scope for extra-budgetary expenditure and revenue. However, over the past two years, commentators judge that credibility has improved somewhat, and the new budget classification system has provided a more comprehensive and transparent budget process. The implementation of the Medium-Term Budget Framework should improve clarity of fiscal objectives further.

First steps have been taken towards introducing an element of competition for funding allocations among public institutions. This is being piloted in six agencies whose responsibilities range from road junctions to health care for the elderly. For the most part, however, the budget is still not based on overall policy objectives, it is difficult to speak of new policies being introduced through the budget, and the objectives to be achieved by major programmes are not yet clearly stated.

##### Macroeconomic framework

The preparation of the budget begins with the publication of the prime minister's budget notice, which is prepared by the MoF, in the *Official Gazette* in June. It includes a description of government priorities and fiscal objectives as well as general principles to be followed by the spending agencies. In addition, the macro framework decision of the High Planning Council indicates the macroeconomic parameters and guiding principles on fiscal policy and budget preparation process for the following year.<sup>37</sup> In recent years, the IMF standby accords have also provided an overall macroeconomic scenario and fiscal targets (for up to three years in advance) against which budget agencies can prepare their budget proposals.

Following the budget notice, budget agencies then receive instructions from the MoF on preparing their budget proposals, which are submitted to and negotiated with the General Directorate of Budget and Fiscal Control (under the MoF). Proposals related to investment spending are submitted to and negotiated with the SPO, which maintains a record of ongoing approved investment projects. Under the constitution, the government is responsible for submitting the budget bill to parliament 75 days before the end of the calendar year.<sup>38</sup> The budget is then debated in the Planning and Budget Committee and plenary sessions.

In July 2004, parliament adopted Law No. 5217 under which special revenues have to be incorporated into the budget. As a result 3.2 quadrillion Turkish Lira of revenues and 2.3 quadrillion Turkish Lira of appropriations have been incorporated into the budget, which would not have been included otherwise.<sup>39</sup> Local government and social security institutions will not have to submit budgets to parliament but they will have to use the new budget classification and accrual-based accounting systems. The same audit system will also apply.<sup>40</sup>

The General Directorate of Budget and Fiscal Control department has improved the budget memorandum during 2005. It is more comprehensive and contains more detail on figures and explanations. Comparisons are made between 2003 and 2004 by converting the 2003 figures into the new budget classification system that was used in 2004. The 2004 budget expenditures were classified under a new functional system. This has improved transparency, giving better information about how much is spent, and continued to shift more of the 'transfer items' from the Treasury and the MoF budgets to the budget of the relevant ministries. These changes are on top of those made in 2004 when agricultural subsidies were included in the budget of the agricultural ministry, as already done with social security institutions and students credits.<sup>41</sup>

A second improvement this year is the wider scope of the budget which now covers 165 departments as opposed to 98 previously, including institutions such as the universities, examination boards, state theatres, Atomic Energy Agency, and Capital Markets Board. These institutions have also received training in the new budget classification and accrual-based accounting systems.

For the first time, Turkey has implemented a Medium-Term Budget Framework this year (under the PFMC Law), which has a series of stages. First, the SPO sets out policy priorities and the main macroeconomic strategies in the Medium-Term Programme before sending it on to the Council of Ministers who approved it on 31 May of this year. The second part is the preparation of the Medium-Term Fiscal Strategy by the MoF. This document includes expenditure ceilings for each institution and by economic classification, and targets for revenues, expenditures and deficits as a percentage of GNP. It was approved this year on 2 July by the High Planning Council (a sub-committee of the Council of Ministers). The third part is a budget call from the General Directorate of Budget and Financial Control in the MoF to all line ministries for a proposed budget. This is accompanied by a budget preparation guide. This year, the budget call was on 6 July and line ministries submitted their proposals by the end of the month. (The SPO also publishes an investment programme preparation guide for line ministries' investment spending proposals.) The General Directorate then finalises these budgets and submits them to Parliament by 17 October in keeping with the Constitution.

All these documents are published in the Official Gazette and are publicly available. Among others, the Medium-Term Fiscal Strategy and the Medium Term Programme are also available in English. However, the Ministry of Finance believes that the implementation of both the Medium Term Programme and the Medium Term Fiscal Strategy will significantly enhance transparency and market confidence.

### **Fiscal risks**

The budget is not accompanied by an assessment of the risks threatening the achievement of fiscal targets. However, under the Public Financing and Debt Management Law, the Treasury is required to submit to parliament a quarterly report on debt management, which provides details on, inter alia, contingent liabilities.

### **Fiscal sustainability**

The fiscal rules governing budget preparation are not based on an ongoing assessment of medium- to long-term fiscal sustainability. There is no specific public assessment of the medium and long-term significance of factors such as the condition of the social security institutions or the government's responsibility to support further interventions in the banking system if necessary.

Under the Public Financing and Debt Management Law, the Treasury is required to submit to parliament a quarterly report on debt management. This report provides details on debt sustainability and contingent liabilities. However, full implementation of the Public Financial Management and Control Law, especially the new three-year medium-term budgeting framework, will help to assess long-term fiscal sustainability.

## **Budget presentation**

The code structure of the budget is broken down into four different levels: administrative, functional, economic and financial. Revolving and extra-budgetary funds under the current system are not classified according to the same structure.<sup>42</sup> However, revolving funds are in principle due to be eliminated by 2007, and extra-budgetary funds are to be brought under the new budget classification system. Under the new system, the cost of tax breaks will also be stated.<sup>43</sup>

In the 2006 budget, there are now no annexes and instead the budget is divided into general budget agencies, special agencies (such as universities) and regulatory bodies. Ridding the budget of annexes is an important step towards greater transparency since annexed budget agencies often faced far more relaxed regulations than agencies under the general budget. Now general budget and special agencies will face the same rules. Regulatory agencies will have more financial autonomy, but will still have to report a budget.

On the revenues side, local authorities' share of national tax revenues have been included in the budget for 2006. The various changes in the scope of the budget in principle represent improvements in transparency, but in the short term they also make it difficult for commentators to assess fiscal performance due to the difficulty of making comparisons with previous years.

Still outside the scope of the budget are the four extra-budgetary funds (EBFs), and all of the revolving funds (of which there are approximately 1,440). According to the PFMC law these must be incorporated into the main budget by the end of 2007, but this is not an easy task and the law may have to be amended. However, their accounts will be incorporated into the budget next year on a more detailed level than previously. These funds have also shrunk in size vastly. For example, there were 71 EBFs in 2001. Now there are only four and they made up only 0.8% of GNP in 2004. Since 2005, all social security institutions and regulatory agencies prepare their budgets in accordance with the new classification system. EBFs and revolving funds have already been trained in the new classification system even though they have not yet used it to prepare their budgets. Commentators have suggested that more data on revolving funds could be published.<sup>44</sup>

At the end of this process, only social security agencies, state enterprises and local governments will remain outside the budget. Under GFS they must be treated separately. However, they will all be using the automated accounting system. This will make it possible to calculate the overall fiscal returns or public sector borrowing requirement quicker and more accurately. At present the State Planning Organisation makes some forecasts and estimates.

The new budget classification in line with the IMF Government Finance Statistics (GFS 2001) classification was introduced on a pilot basis in 2002.<sup>45</sup> This was adopted formally in the 2003 budget, providing a clearer, more functional breakdown of the budget and making it comparable on an international level. Tax rebates are now deducted from tax revenues rather than counted as expenditure. Levels of social spending and their destinations will now be apparent, thereby significantly increasing transparency. The use of GFS classification is in force for central and general government and is being extended to local government.

A project aimed at strengthening the budget preparation process commenced at the beginning of 2004, and has now been extended until 2008, also broadening the scope to Internal Audits. The Netherlands government is providing technical support for this and there have already been a number of study visits as well as a conference in May 2005.<sup>46</sup> The project will cover: preparing secondary legislation according to the new law; enriching the budget guide (for the budget preparation process); the implementation of medium term budgetary framework and performance-based budgeting; and training.

### **Data reporting**

In practice, the most common measures of the fiscal position are the primary central government budget balance and the overall central government budget balance. These measures are readily available and updated monthly. Data on the primary fiscal surplus performance according to the IMF definition has been publishing monthly since January 2004. Another innovation made in 2004 was the inclusion of special revenues and expenditures in the budget, which is an improvement in transparency. Commentators feel that the credibility of budgetary figures has increased in the last few years, and that budget targets -- while ambitious -- are far more realistic than they used to be. The MoF has made good progress in reducing the deviation between original projections and budget performance.<sup>47</sup>

### **Budget execution and monitoring**

The PPMC Law sets out a comprehensive framework for budget preparation, execution, accounting, reporting, and internal and external audit.<sup>48</sup> The law consolidates into the central government budget, under a common classification, revolving and extra-budgetary funds, annexed institutions, and all regulatory agencies, bringing the latter under parliament's oversight while preserving their financial and administrative autonomy. It also eliminates earmarking mechanisms. The law also states that all public revenues and expenditures have to be audited by the Court of Accounts, including those of the presidency and parliament. In line with international standards, there will be one external audit body -- the Court of Accounts. Internal audits will be conducted within each government agency by sound internal audit bodies. The Court of Accounts will then assess the internal audit system rather than assessing all transactions as at present.<sup>49</sup>

According to the PPMC Law, all central government agencies, budget agencies, social security institutions and local government have to follow the same new budget classification system, and have to use the same accrual-based accounting system. Autonomous budget agencies (regulatory agencies) will now submit their budgets separately to parliament thereby safeguarding their autonomy. Annexed budget agencies will cease to exist in 2006. These new arrangements are in line with international best practice.<sup>50</sup> A special department of the General Directorate of Budget and Fiscal Control drafted a performance-based budget guide in preparation for the 2006 budget. Overall, however, performance budgeting is still at the implementation stage.

Commentators stated that budget projections are now more realistic and have been attained in recent years. They found the monthly reporting of the budget performance generally satisfactory.<sup>51</sup>

### **Accounting basis**

The MoF General Directorate of Public Accounts is responsible for public accounting. The lack of a uniform accounting system has been an obstacle to fiscal discipline and transparent fiscal reporting. However, as noted above, a new comprehensive, integrated, accrual-based accounting system was introduced in 2004. A new computerised accounting system is already in place. The new system is in line with International Accounting Standards (IAS) standards and the IMFAC public sector committee.<sup>52</sup> The new accounting system applies to all general government and budget agencies, social security institutions and local government. The system helps with borrowing and public expenditure planning, improving the coordination of the two.<sup>53</sup> It also gives clear visibility to the position of the state on a monthly basis. All appropriations now go through parliament, so improving fiscal discipline and transparency.<sup>54</sup>



## **Procurement and employment**

Major amendments to the legislation on public procurements were made in January and June 2002, bringing Turkey into line with the UNCITRAL standard. The new legislation came into force in January 2003, but amendments were made in July of the same year as it was perceived to be cumbersome in its original form. The amendments make various exceptions but are not thought to reduce the effectiveness of the law significantly.

Procedures for employment in the public services are disclosed. Career structures vary from department to department.

## **Fiscal reporting**

Under the constitution, the government is obliged to present the final accounts not later than seven months after the end of the calendar year.<sup>55</sup> The government is not as yet legally obliged to present quarterly or half-yearly reports on the performance of the budget, or to update its projections on a regular basis. It had planned to publish quarterly budget reports from July 2005, but this has now been put back to 2006. These reports will provide the public with detailed explanations of budget performance, on top of the monthly press statements and conferences.

The MoF General Directorate of Budget and Fiscal Control has authority for releasing and auditing budget expenditures, in conjunction with the budget offices of budgetary agencies. There is a complex, centralised system for releasing allocations and approving payments. Under the PFMC Law, the MoF is now authorised to set standards for financial control and reporting for the general government.<sup>56</sup>

Furthermore, as a result of the PFMC law, proper internal control structures for audit are to be set up within government. There will be a separation of the investigation and audit functions. Internal auditors are being introduced into spending agencies (until now internal auditing has been carried out by internal financial inspectors and controllers). The internal audit coordination board was established in June 2004 in line with the new legislation.<sup>57</sup> This transfer of control from the MoF to the spending agencies means that, effectively, the MoF now only coordinates or oversees the work of internal auditors in the line ministries rather than carrying out the audits directly. The new audit system will also apply to social security institutions and local government. Some of the powers of budget implementation will be devolved to the spending agencies. The MoF has a two-year project with the European Commission that commenced in 2004 to train internal auditors and to introduce the internal audit system.

Starting in 2006, increasing decentralisation will mean that each line ministry will have greater responsibility for preparing, implementing and auditing of their budgets. Up until this year, ministries have needed the approval of the Ministry of Finance to transfer expenditures from one purpose to another. Now agencies will be allowed to make transfers of up to 20% of total funds.

In addition, accountability for line ministries is also increasing. Each ministry will have to make press statements stating their aims and objectives. Each July they will be required to make a mid-year statement on budget performance and fiscal risks to achieving targets set out at the start of the year. Based on these, the Ministry of Finance will put together an overall mid-year report including status on revenue targets and expenditure ceilings. At the end of the financial year, ministries must prepare an accountability report for the Ministry of Finance.<sup>58</sup>

The recent accession to the EU will also present an additional challenge to Turkey in the coming years. Although the PFMC Law was prepared with the help of the European Commission, there will need to be wider scope for financial statistics, which should improve transparency further.



## 4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY



Enacted

### Data quality standards

The SPO produces the macroeconomic forecasts used in the budget. The methods, assumptions, and data used for formulating these forecasts are not published or subject to independent scrutiny. However, Turkey meets the IMF SDDS.<sup>59</sup>

### Independent scrutiny of fiscal information

#### Independent audit

The integrity of government accounts is assessed by the Court of Accounts (Sayistay), an independent judicial body with constitutional status that reports to parliament. The Court of Accounts prepares and manages its own budget and has free access to all documents and information. Its members are elected by parliament and remain members until they retire at 65. Its president is elected by parliament for a seven-year term.

The Court of Accounts submits an annual statement on the conformity of the final accounts to parliament, within 75 days of the submission to parliament of the accounts themselves.<sup>60</sup> The Court of Accounts also draws up other reports on behalf of parliament and carries out investigations of its own choosing within its field of responsibility. The remit of the Court of Accounts covers general and annexed budget agencies (including the Treasury), local administrations and municipalities, revolving funds and extra-budgetary funds. Under the new PFMC Law, the Court of Accounts takes on responsibilities for auditing the whole of general government, and its own accounts are subject to external audit. Extra-budgetary funds and social security institutions are brought under the control of the Court of Accounts under this law. Annexed budget agencies will become special budget agencies and revolving funds will be eliminated by 2007. Revolving funds and extra budgetary funds currently provide a means of escaping the control of the Court of Accounts.

Until now, the Court of Accounts has not conformed to international standards and its scope of audit has been quite limited -- it has not been able to audit autonomous agencies or parliament for example. Until 1995, there was only the general confirmatory report once a year. Since then the Court of Accounts has also issued the treasury transactions report, which covers 70 per cent of budget transactions including public debts. As of 1997 performance audit reports were included. Since 2000 there have been two to five regular reports a year and all these reports are published on the Court of Account's website.<sup>61</sup> Currently, it only audits to check for compliance, presenting a General Annual Conformity Report to parliament and commentators remain uncertain as to the Court's overall efficiency.<sup>62</sup> However, under the PFMC Law, all public agencies will be under the scope of audit of the Court of Accounts. Over the past years, work has been carried out in conjunction with the World Bank and the European Commission to improve the capacity and functional efficiency of the Court. This will help prepare it for its expanded role under the new law. In compliance with the PFMC Law, there will also be a number of additional reports such as a General Evaluation Reports, Fiscal Statistics Evaluation Report and, when the Court of Accounts Law is passed, there will be an annual report on State Enterprises.

The Court is to become a proper supreme audit body. At present the Court checks all accounts transactions, which is not efficient. Under the PFMC law, government agencies will have their own sound internal audit inspectors, and the Court of Accounts will simply evaluate the activities and reports of the government agencies' auditors in an annual report in line with the new system of performance auditing. Additionally, the Court of Accounts will produce an annual report highlighting the most significant of all its budget findings. Both reports will be available to the public via the Court's website. The Court is aware of the need to produce more reports to parliament, and the new mandatory reporting requirements mentioned above should address this deficiency. In the past the Court's judicial function has tended to take precedence over the auditing function.<sup>63</sup>

The Court is making considerable efforts to ensure that it has sufficient technical capacity for its expanded role. It feels it has sufficient IT capacity, and has addressed previous concerns over training. New auditors are given two years training. While it feels its current training arrangements are sufficient for the current methodology, it acknowledges that the expanded methodology requires expanded training. As a result, a large portion of the Court's auditors are working with the UK National Audit Office. A twinning programme has also been arranged with the European Union, which will continue until the end of 2006, and should increase the skills and capabilities of staff.<sup>64</sup> This programme should also help the Court to move towards more financial and performance audits.

The Court of Accounts Law, when passed, will complement amendments to the PFMC law to improve the court's profile and transparency.<sup>65</sup> In addition, a permanent public accounts committee will also be created by parliament in order to receive the Court of Account's reports.<sup>66</sup> The lack of such a committee until now has been partly responsible for the insufficient number of reports produced by the Court for parliament. An opposition member of parliament could head the committee. The creation of this committee is in the government programme, though no specific date has been set for this to take place.

The Court of Accounts follows up on its reports, tracking any changes or progress made during implementation. It then takes them to the Parliamentary Planning and Budget Committee. . The Court audits municipalities and local government administrations annually at present. Increasing importance is being given to the audit of municipalities, given that they use significant public resources due to real estate revenues and funds from central government. Municipal companies ('municipal economic enterprises') are not covered. The proposed Court of Accounts Law will allow the Court to audit any transfer of public funds.

At present there are a number of bodies with inspection control in addition to the Court of Accounts. Under the proposed Court of Accounts Law, the Court is to take over some of the duties of the High Audit Board (YDK), thus improving coordination. State Economic Enterprises -- at present under the control of the High Audit Board -- will also come under the control of the Court, as will social security institutions and the four remaining extra-budgetary funds. There is also a State Audit Board (DDK) attached to the presidency, which carries out ad hoc audits at the request of the President and investigations on any part of the public sector, except for the courts and the military.

The central bank and some state enterprises including the state banks are already externally audited. The new Municipalities Law also enables the interior minister, upon the request of concerned mayors or the Internal Audit Coordination Board, or where serious possible risks of fraud are detected, to order authorised audit personnel to inspect all financial management and control systems of local administrations for compliance with financial decisions and related legislation.

### **National Statistics Agency**

The State Institute of Statistics, the national statistical agency, enjoys technical independence but in practice it does not verify the quality of the fiscal data provided by the MoF and the other various data-compiling agencies.

## INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Turkey between 3 and 7 October 2005.

### Ministry of Finance

#### 4 October 2005

Abdulkadir Goktas	Head of Department	General Directorate of Budget & Fiscal Control
Meral Demir	State Budget Expert	General Directorate of Budget & Fiscal Control

### Treasury

#### 5 October 2005

Memduh Aslan Akcay	Director General
G. Banu Kucukyumuk	Senior Associate
M. Coskun Cangoz	Deputy Director General

### Central Bank of Turkey

#### 5 October 2005

Fatih Ozatay	Vice Governor	
Sebnem Ozbek Uygun	Legal Counsel	
Osman R Gunver	Legal Advisor	
Erhan Yazgan	Assistant General Manager	Internal Audit Department

## ADDITIONAL INTERVIEWS

#### 3 October 2005

Tugrul Belli	General Secretary	Turkish Bank
Sertan Kargin	Chief Economist	Yatirim Finansman Securities
Murat Tanriover	Assistant General Manager	Yatirim Finansman Securities
Tanju Uygurcetin	Head of Corporate Finance	Yatirim Finansman Securities
Ali Kerim Akkoyunlu	Head of Research	Yatirim Finansman Securities

#### 5 October 2005

Erol Akbulut	Deputy Secretary General	Turkish Court of Accounts
Feyzullah Okumus	Senior Auditor	Turkish Court of Accounts

**6 October 2005**

Hugh Bredenkamp	Senior Resident Representative	IMF
Rodrigo Chaves	Lead Economist	World Bank
Mediha Agar	Economist	World Bank
Güven Sak	Director	TEPAV-Economic Policy Research Institute
Emin Dedeoğlu	Programme Director, Governance Studies	TEPAV-Economic Policy Research Institute
Nahit Bingöl	State Planning Organisation	Government of Turkey

## NOTES

<sup>1</sup> Other relevant legislation includes the Civil Servants Law, legislation on the foundation and operation of various funds, laws and decree-laws on state enterprises, the Privatisation Act, the Banks Act and a body of legislation concerning local government.

<sup>2</sup> The State Planning Organisation ([www.dpt.gov.tr](http://www.dpt.gov.tr)) operates under the Decree-Law on the Establishment and Duties of the State Planning Organisation (1994).

<sup>3</sup> Structures and duties of the Undersecretariat of the Treasury ([www.hazine.gov.tr](http://www.hazine.gov.tr)) are determined under Decree-Law No. 4059 of 1994. Law No. 4749 of 2002 regulates the public finance and the debt management duties of the Treasury.

<sup>4</sup> The MoF and the Treasury were separated in 1984, at which point a number of agency roles were transferred to the Treasury, to broaden its remit.

<sup>5</sup> [www.mfa.gov.tr/grupc/ca/cag/I142.htm](http://www.mfa.gov.tr/grupc/ca/cag/I142.htm)

<sup>6</sup> Interviews in Turkey, 3-7 October 2005.

<sup>7</sup> Interviews in Turkey, 3-7 October 2005.

<sup>8</sup> Interviews in Turkey, 20-24 October 2003.

<sup>9</sup> Each year the budget law specifies a limit for the amount of new guarantees. The Treasury also conducts more comprehensive due diligence before providing guarantees and the Treasury insists that an escrow account is opened to ensure repayment.

<sup>10</sup> Article 161 of the Turkish Constitution.

<sup>11</sup> Interviews in Turkey, 22-24 November 2004.

<sup>12</sup> Interviews in Turkey, 3-7 October 2005.

<sup>13</sup> Interviews in Turkey, 3-7 October 2005.

<sup>14</sup> Interviews in Turkey, 22-24 November 2004.

<sup>15</sup> Article 73 of the Turkish Constitution. See also Article 167 for taxes on foreign trade.

<sup>16</sup> Interviews in Turkey, 3-7 October 2005.

<sup>17</sup> Interviews in Turkey, 3-7 October 2005.

<sup>18</sup> Interviews in Turkey, 3-7 October 2005.

<sup>19</sup> Interviews in Turkey, 22-24 November 2004.

<sup>20</sup> Interviews in Turkey, 22-24 November 2004.

<sup>21</sup> Interviews in Turkey, 22-24 November 2004.

<sup>22</sup> Interviews in Turkey, 3-7 November 2002.

<sup>23</sup> Interviews in Turkey, 3-7 October 2005.

<sup>24</sup> Interviews in Turkey, 3-7 October 2005.

<sup>25</sup> Interviews in Turkey, 22-24 November 2004.

<sup>26</sup> Interviews in Turkey, 3-7 October 2005.

<sup>27</sup> Interviews in Turkey, 20-24 October 2003.

<sup>28</sup> Interviews in Turkey, 22-24 November 2004.

<sup>29</sup> Interviews in Turkey, 22-24 November 2004.

<sup>30</sup> Some commentators questioned how consolidated the ‘consolidated’ budget really is. They also commented that the figures for the whole government appear very late, which they saw as a structural problem rather than an attempt to escape scrutiny. Interviews in Turkey, 20-24 October 2003.

<sup>31</sup> Interviews in Turkey, 20-24 October 2003.

<sup>32</sup> Interviews in Turkey, 20-24 October 2003.

<sup>33</sup> Letter of Intent to the IMF April, 2002, Article 18.

<sup>34</sup> Interviews in Turkey, 3-7 October 2005.

<sup>35</sup> Interviews in Turkey, 3-7 October 2005.

<sup>36</sup> Interviews in Turkey, 22-24 November 2004.

<sup>37</sup> Five-year plans are drawn up, which constitute a national agenda. They are largely prepared through non-partisan consultations that draw on a wide range of expertise and serve as a national forum. However, the usefulness of the plans with respect to budget preparation is limited by the fact that they do not set out the fiscal costs of the policies recommended. Nor are the plans updated annually.

<sup>38</sup> Article 162 of the Turkish Constitution.

<sup>39</sup> Interviews in Turkey, 22-24 November 2004.

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- <sup>40</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>41</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>42</sup> IMF, “Experimental Report on Observance of Standards and Codes: Turkey”, June 27, 2000, 3.2.1.  
<sup>43</sup> Interviews in Turkey, 20-24 October 2003.  
<sup>44</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>45</sup> Interviews in Turkey, 3-7 November 2002.  
<sup>46</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>47</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>48</sup> Letter of Intent to the IMF, July 2002, Article 10.  
<sup>49</sup> Letter of Intent to the IMF, July 25 2003.  
<sup>50</sup> Interviews in Turkey, 20-24 October 2003.  
<sup>51</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>52</sup> See ‘Reform in the Government Accounting: From Cash to Accrual Basis’, prepared by the MoF General Directorate of Public Accounts, November 2002.  
<sup>53</sup> Interviews in Turkey, 20-24 October 2003.  
<sup>54</sup> Interviews in Turkey, 20-24 October 2003.  
<sup>55</sup> Article 164 of the Turkish Constitution.  
<sup>56</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>57</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>58</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>59</sup> IMF Report on the Observance of Standards and Codes (Data Module), March 2002.  
<sup>60</sup> Article 164 of the Turkish Constitution.  
<sup>61</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>62</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>63</sup> Interviews in Turkey, 22-24 November 2004.  
<sup>64</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>65</sup> Interviews in Turkey, 3-7 October 2005.  
<sup>66</sup> At present the Court’s reports go to the Plan and Budget Committee, which is a large committee that deals with the budget and has little time to spend on the Court’s reports.